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October 7, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: CC Docket No. 96-262

Dear Mr. Caton:

On Tuesday, October 7, 1997, USTA representatives, Whit Jordan of BellSouth and Frank McKennedy of the United States Telephone Association (USTA) met with James Casserly, Legal Advisor to Commissioner Ness.

The purpose of the meeting was to discuss the USTA Petition for Reconsideration issues including the recovery of retail marketing expenses on all access lines, assessment of PICCs for centrex lines based on an industry standard trunk equivalency ratio, and the request for an extension of time to implement the non-primary line SLCs and PICCs.

An original and a copy of this letter and the materials handed out at the meeting are being filed in the Office of the Secretary today. Please include this material in the record of the above referenced proceeding.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frank McKennedy".

Frank McKennedy
Director - Legal and Regulatory Affairs

cc w/o attach: James Casserly

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Retail Marketing Expenses Should Be Recovered From All lines

- **Order requires recovery of marketing expenses from only multi line business and non-primary lines SLCs and PICCs**
 - **No factual basis to restrict recovery to only multi line and non-primary lines**
 - **Distorts market**
 - **Not cost causative**
- **USTA proposes recovery from all lines**
 - **To determine a uniform per line charge, Interstate marketing expenses would be divided by SLC line count**
 - **Amounts above the SLC caps would be recovered from PICCs up to their caps**
 - **Residual would be recovered from originating MOU charges and terminating MOU charges**
- **USTA Plan**
 - **Recognizes marketing costs incurred for all service categories**
 - **Does not cause pricing distortions for competitive lines**



Retail Marketing Expenses Should Be Recovered From All Lines (cont.)

- **USTA study of 9 major ILECs shows costs incurred for all services**
- **Majority of parties support USTA position:**
 - **Ad Hoc, Sprint, Bell Atlantic, Ameritech, US West, Southern New England, BellSouth**
- **Only opposition filed by MCI**
 - **USTA and Bell Atlantic studies show clearly MCI allegations are wrong**



Application of PICCs on Centrex lines must be on an equitable manner to reflect trunk equivalency

- **Order requirement to recover PICCs on a per line basis will result in disproportionate assessment on Centrex lines competing with similarly sized PBX arrangements**
 - **FCC requirement disadvantages Centrex as a competitive alternative to PBX arrangements**
 - **Not technologically neutral**
 - **Not more cost causative then using trunk equivalents**
- **There is no legal basis to discriminate against Centrex customers**
- **USTA ex parte filed September 26 proposes a single line to trunk equivalency ratio of 9 to 1 to assess Centrex PICCs to IXC's**
 - **Based on weighted average trunk equivalency tables from state tariffs and NARs relationship to Centrex Lines**
 - **Simple to administer and verify**
 - **Addresses concerns regarding complexity and consistency**

Implementation of Non-primary line SLCs and PICCs should be delayed

- **Order requires implementation of Non-primary line SLCs and PICCs effective January 1, 1998**
 - **The NPRM regarding definition of Non-primary lines was released on September 4, comments and replies due September 25 and October 9.**
 - **Release of an order even in early December does not allow time for development and implementation of training, administration and billing systems, nor customer notification and education**
 - **Crash implementation risks customer confusion and billing errors, and additional implementation costs**
- **USTA proposes extending the implementation date to January 1, 1999**
 - **Allows time to economically develop and implement changes necessary to implement Non-primary line SLCs and PICCs**
 - **Avoids customer confusion and reduces risks of billing errors**
 - **Revenue Neutral**